



FOR CLERK USE ONLY
City Council
Item No. _____

CITY COUNCIL AGENDA FACT SHEET

Finance
Department

October 13, 2009
Requested Date

1. **Request:**

Council Approval

☒

Information Only/
Presentation

☐

Other (specify)

☐

Hearing

☐

2. **Requested Action:**

- 1) Adopt the Resolution No. 09-___ approving the Statement of Investment Policy for Fiscal Year 2009-10; and
2) Accept the Investment Reports for December 30, 2008 through September 30, 2009.

3. **Fiscal Impact:**

Revenue:

Increase

☐

Source:

Decrease

☐

Amount:

Cost:

Increase

☐

Source:

Decrease

☐

Amount:

Does Not Apply ☒

4. **Reviewed By:**

Finance Dept. on 9/24/2009

Comments: _____

By: [Signature]

City Attorney on _____

Comments: _____

By: _____

Note: Back up must be submitted along with this form. Deadline is 5:00 p.m., 2 Fridays before the scheduled meeting date.

CLERK USE ONLY:

CITY COUNCIL DATE:

Action

☐

Filing

☐

Consent

☐

Presentation

☐

Hearing

☐

Other(specify)

☐

Reviewed by: City Clerk _____

Date _____

City Manager _____

Date _____

CITY COUNCIL AGENDA REPORT

SUBJECT: Investment Policy Resolution

AGENDA DATE: October 13, 2009

PREPARED BY: Judith Hashem, Finance Director

APPROVED FOR AGENDA BY: Victor M. Carrillo, City Manager

RECOMMENDATION: City Council is requested to take the following action:

1. Adopt the Resolution No. 09-___ approving the Statement of Investment Policy for Fiscal Year 2009-10; and
2. Accept the Investment Reports for December 31, 2008 through September 30, 2009.

FISCAL IMPACT: N/A

BACKGROUND INFORMATION: In accordance with the California Government Code, the City of Calexico shall annually approve a Statement of Investment Policy. This Resolution authorizes the Finance Department to invest idle cash funds in various types of investments that are fully collateralized or insured by the Federal Deposit Insurance Corporation and at varying maturity dates.

Attached you will find the Resolution approving the Statement of Investment Policy for Fiscal Year 2009-10 and the Investment Reports for quarters ending December 31, 2008, March 31, 2009, and June 30, 2009 for FY 2008-09 and for first quarter ending September 30, 2009 for FY 2009-10.

The Investment Committee meets to review and discuss investments and investment strategies for the City. The Committee is comprised of Victor Carrillo, Rodolfo Moreno, Julia Osuna, Eduardo Gutierrez and Judith Hashem.

Over the past year the City has been investing mainly in LAIF, the Local Agency Investment Fund with the State of California. The State was considered a safer environment, as compared to investing with banks and other financial institutions, as well as the liquidity of LAIF as opposed to other types of investments.

Recently staff has been poling other entities throughout the State of California and some entities are rethinking their investment portfolio. As of July 31, 2009 LAIF's investment portfolio in non-government securities, included \$12.8 billion in State General Fund loans and \$6.1 billion in AB55 loans out of a total of \$64.5 billion or 29.3%. The State borrowed funds from LAIF and the AB55 loans are lines of

credit extended to State agencies or departments to provide funds for startup costs or progress payments on authorized bond projects. In addition, the current LAIF interest rate has dropped to .72% making LAIF less attractive. Therefore, Staff has been proactive in withdrawing a large portion of our investments with LAIF to diversify our portfolio.

In checking with other cities there seems to be a broad spectrum of opinion on all types of investments. One of the observations we made is that some cities invest in their County Investment Pools. We have checked with Karen Vogel, Imperial County Treasurer-Tax Collector and she informed us that we are the first entity in the Valley to inquire about investing in the County pool and she would welcome our participation in the pool, which is similar to LAIF, but at the local level.

At this time, since we are addressing the City's Investment Policy for FY 2009-10, we are requesting the Council consider allowing the investment in the County pool (copy of Investment Policy attached). The County invests approximately \$362 million of County, Special District, and School funds in mortgage backed securities, certificates of deposit, Federal Agency Issues such as Federal Farm Credit Bank and Federal Home Loan Bank, and LAIF. The benefit of investing with the County would be the size of the portfolio that allows for larger single investments at a greater rate of return, safety and liquidity, and more diversification.

If the Council approves the Resolution, Staff will meet with the County Treasurer and prepare the necessary paperwork to allow the County Pool to be considered in our investment portfolio.

Agenda Item No. _____

Page _____ Of _____

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO APPROVING
STATEMENT OF INVESTMENT POLICY FOR FISCAL YEAR 2009-10.**

WHEREAS, pursuant to Government Code Section 53646, the City Council of the City of Calexico shall annually approve a Statement of Investment Policy; and

WHEREAS, the annual Statement of Investment Policy of the City of Calexico is as follows:

City of Calexico (City) funds not required for immediate expenditure will be invested in compliance with the provisions of Government Code Section 53600-53683. Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. Investments will be made in a range of instruments and maturity dates to insure diversification and liquidity of assets in an emergency or when a large cash outlay is necessary.

The instruments of investment to be used are Certificates of Deposit, Imperial County Investment Pool, Local Agency Investment Fund, Treasury Bills and Notes, U.S. Governmental Agency Obligations, Repurchase Agreements and Savings Accounts. Deposits will be fully collateralized as required by Government Code Section 53652 or insured by the Federal Deposit Insurance Corporation and the "Contract for Deposit of Monies" will indicate the type of amount of collateral.

Investments in repurchase agreements or reverse purchase agreements shall not be made without the prior approval of the City Council and shall be subject to the provisions of Government Code Section 53601.

All Certificates of Deposit shall mature not later than one (1) year from the date of investment and Governmental Insurance shall mature not later than three (3) years from the date of investment.

No investment will be made pursuant to the provisions of Government Code Section 5360.11 in financial futures or financial option contracts without the prior approval of the City Council. Only a Primary Government Securities Dealer shall be used for the purchase of Agency Obligations.

Adhering to the provisions of this Statement of Investment Policy, the City Finance Director shall coordinate the investment of surplus funds with guidance and approval from the City Council.

A list of investments will be submitted to the City Council each quarter indicating type, purchase and maturity dates, rate, amount, fund and percentages.

A committee appointed by the City Manager shall meet not less than on a quarterly basis to review City investments, to appraise market conditions, and report to the City Council.

NOW, THEREFORE, BE IT RESOLVED as follows:

Section 1: The Annual Statement of Investment Policy for Fiscal Year 2009-10 is hereby approved and the Finance Director is directed to follow this Statement of Investment Policy in investing City funds.

Passed, Approved and Adopted this 13th day of October, 2009.

David Ouzan, Mayor

Attest:

Lourdes Cordova, City Clerk

Approved as to Form:

Jennifer Lyon, City Attorney

State of California)
County of Imperial) ss
City of Calexico)

I, Lourdes Cordova, City Clerk for the City of Calexico do hereby certify that the foregoing Resolution No. _____ was adopted by the City Council in a regular session held on the 13th day of October 2009 by the following vote to-wit:

AYES:
NOES:
Absent:

Lourdes Cordova, City Clerk

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THE
JOURNAL
OF
THE
ROYAL
ANTHROPOLOGICAL
INSTITUTE
OF GREAT
BRITAIN
AND IRELAND
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INSTITUTE
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IMPERIAL COUNTY
ANNUAL INVESTMENT POLICY
FOR THE
POOLED INVESTMENT FUND

Approved By: Board of Supervisors (7/29/2008)

Imperial County Investment Policy

Authority

In accordance with the laws and regulations of the State of California and authority granted by the Imperial County Board of Supervisors the County Treasurer-Tax Collector is responsible for investing all the funds in the County Treasury.

Policy Statement

The Treasurer-Tax Collector shall establish investment policy procedures for the operation of the investment program and a system of controls to regulate the activities of the subordinate officials. Each transaction and the entire portfolio must comply with the California Government Code section 53635 et seq., and this policy.

Scope

This investment policy applies to all financial assets of the County of Imperial as accounted for in the comprehensive annual financial report and shall apply to all other funds under the County Treasurer-Tax Collector's span of control unless specifically exempted by resolution.

Outside local agencies, where the County Treasurer-Tax Collector does not serve as the agency's Treasurer-Tax Collector, may invest in the Pooled Investment Fund through California Government Code section 53684 et seq. Deposits are subject to the consent of the County Treasurer-Tax Collector. The local agency legislative body must approve the Imperial County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding.

The County Treasurer-Tax Collector may honor all requests to withdraw funds for normal cash flow purposes. Any requests to withdraw funds for purposes other than cash flow such as for external investing shall be subject to the consent of the Treasurer-Tax Collector. In accordance with California Government Code section 27136 et seq., and 27133(h) et seq., such requests

for withdrawals must first be made in writing to the County Treasurer-Tax Collector. These requests are subject to the County Treasurer-Tax Collector consideration of the stability and predictability of the Pooled Investment Fund, or the adverse affect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

Standards

The County Treasurer-Tax Collector is the trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The County Treasurer-Tax Collector, employees involved in the investment process and the members of the Imperial County Oversight Committee shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with the California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer-Tax Collector shall act with the care, skill, prudence and diligence in order to meet the investment objectives.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Objectives

Investment Objectives: The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are listed in order of importance.

Safety of Principal: The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default or erosion of market value.

Liquidity: As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the County Treasurer-Tax Collector to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

Public Trust: In managing the Pooled Investment fund, the County Treasurer-Tax Collector and the authorized investment traders should try and avoid any transactions that might impair public confidence in the Imperial County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

Return on Investments: The Pooled Investment Fund shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

Calculation of Yield and Costs

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Auditor/Controller will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

Internal Controls

The County Treasurer-Tax Collector shall establish internal controls to provide reasonable assurance the investment objectives are met and to ensure that the assets are protected from loss, theft or misuse. To assist in implementation and internal controls, the Treasurer-Tax Collector shall establish written policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transaction. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer-Tax Collector.

Authorized Personnel: The following is a list of delegated staff responsible for investment transactions, County Treasurer-Tax Collector, Finance Manager and the Accounting Technician's. Authorized personnel may be changed from time to time at the discretion of the County Treasurer-Tax Collector.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Auditor/Controller's office on a monthly basis.

An independent audit shall be conducted annually to review internal control, account activity and compliance with policies, procedures and applicable laws.

The County Treasurer-Tax Collector, or Finance Manager, should, from time to time perform a review of the investment function. This review should consist of:

- Comparison of the investment records to the independent statements and confirmations received from brokers, dealers, banks and other financial institutions.
- Review of the contents of the investment portfolio to assure that it conforms to this policy.
- Review of the financial institution with which investments have been made to assure that the County Treasurer-Tax Collector or authorized staff has approved them.

- Confirmations resulting from securities purchased under a repurchase agreement should clearly state the exact and complete nomenclature of the underlying securities purchased and that said securities have been sold to the County with a promise of resale by the County back to the seller.

The County Treasurer-Tax Collector shall establish and define authorized investments as well as credit, marketability, maturity and diversification criteria for County investments. Where possible, County investments should be placed, confirmed, held and accounted for, and audited by different people.

Ethics and Conflicts of Interest

In accordance with California Government Code section 27133(d) et seq., officers and employees involved in the investment process shall refrain from personal business activity that could cause conflict with the investment program, or which could impair their ability to make impartial investment decisions.

Any individual who receives a aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker-dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms. The limits also apply to members of the Oversight Committee. No individual may receive aggregate gifts, honoraria gratuities in excess of \$340 in a calendar year. Any violation must be reported to the State Fair Political Practices Commission.

Investment Parameters

Safekeeping and Custody: All securities purchased, with the exception of time deposits, LAIF and bank short term Investment Funds (bank's overnight investment fund), can be delivered to the independent third-party custodian selected by the County Treasurer-Tax Collector. This includes all collateral for repurchase agreement. All trades, where applicable, will be executed by delivery versus payment by the designated party.

Qualified Broker/Dealers: All financial institutions, whether investment banks and dealers, commercial banks, or savings and loans must be approved by the County Treasurer-Tax Collector or authorized staff before they receive County funds. All firms with whom the County does business should have a strong capital base and be deemed credit-worthy before any investments or deposits are placed with such firms. In accordance with California Government Code section 27133(c) et seq., the County Treasurer-Tax Collector or authorized staff will prescribe minimum standards.

The Treasurer-Tax Collector's staff shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the County. Receipt of this policy shall be considered confirmation that the broker/dealer understands the County's investments authorized by this investment policy.

The Treasurer-Tax Collector will maintain a list of financial institutions authorized to provide investment services. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer-Tax Collector.

Collateral Requirements: Collateral is required for investments in certificates of deposit (over \$100,000), repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be a least 102% of market value or principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency of the United States.

Diversification: The County Treasurer-Tax Collector will diversify its investments by security type and institution. With the exception of U.S. Treasury, U.S. Agency securities and authorized pools, no more than 50% of the County's total investment portfolio should be invested in a single security type.

Security Swaps: Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When the swap involves a change in liquidity, future cash needs shall be conservatively estimated.

Investable Fund: Total investable funds for purposes of this policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Bond proceeds may be invested in accordance with the Government Code provisions, or they may be invested in alternative vehicles if authorized by Bond documents.

Authorized Investments: As stated earlier, authorized investment shall match the general categories established by the California Government Code section 53635 et seq. Authorized investments shall also include, in accordance with California Government Code section 16429.1, investment into LAIF.

The chart on the next page provides a list of the permitted securities and conditions for using them. Only the County Treasurer-Tax Collector or authorized staff will be authorized to invest in the approved investment. (See chart)

**ALLOWABLE INVESTMENT INSTRUMENTS PER
STATE GOVERNMENT CODE (as of January 1, 2003)**

Investment Type ¹	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency	5 years	None	None
Bankers' Acceptances	180 days	40 Percent ²	None
Commercial Paper	270 days	25 Percent	A1/P1 rating
Negotiable Certificates of Deposit	5 years	30 percent	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 percent combined of base value	None ³
Medium-Term Notes	5 years	30 percent	A rating
Mutual Funds	N/A	20 percent ⁴	Multiple ⁵
Money Market Mutual Funds	N/A	20 percent	Multiple ⁶
Collateralized Bank Deposit	5 years	None	None
Mortgage Pass-Through Securities	5 years	20 percent	AA rating ⁷
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None

Prohibited Investments: No investment should be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

¹ Prior to January 1, 2000, county governments were subject to the same restrictions as all other local governments for purchases of commercial paper. In addition, prior to January 1, 2000, the Government Code did not include language referring specifically to investments in securities lending agreements.

² No more than 30 percent of the surplus funds may be in Bankers Acceptances of any one commercial bank.

³ Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York and the securities used for the agreement must have been held by the issuer for at least 30 days.

⁴ No more than 10 percent of the agency's surplus funds may be invested in any one mutual fund.

⁵ Must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least 5 years experience investing in instruments authorized by the State Government Code Sections 53601 and 53635.

⁶ Must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), and has not less than 5 years experience managing money market funds with assets under management in excess of \$500 million.

⁷ Issuer must have an A rating or better for the issuer's debt as provided by a nationally recognized rating agency.

Derivative Investments: Future purchases of securities classified as derivative securities must be issued by an agency or entity authorized by the investment policy and must receive prior approval from the County Treasurer-Tax Collector.

Implementation

In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy at least annually during open session.

Monthly, the Treasurer-Tax Collector shall present and file with the Board of Supervisors during public session the Imperial County Treasurer-Tax Collector's Portfolio Master Summary.

Summary

The County Treasurer-Tax Collector, or Finance Manager, is to have express authority to invest County funds in any investments, securities and other instruments as described herein as the County Treasurer-Tax Collector, or Finance Manager deems appropriate.

The County Treasurer-Tax Collector will develop, interpret, clarify and maintain this Statement of Investment Policy. As the California Government Code and legislation is amended this Policy shall likewise become amended.

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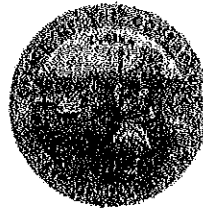
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City of Calexico
Investments
June 30, 2009

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<u>CDs</u>	<u>Purchase Date</u>	<u>Current Value</u>	<u>PURCHASE PRICE</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
CD - 180 days					
Rabobank (VIB)	5/1/2007	104,666	100,000	11/1/2009	1.90%
CD - 360 days					
Sun Community Federal Credit Union (dividend checks sent monthly)	7/20/2004	95,609	94,950	7/20/2009	2.67%
Total CDs		200,275	194,950		
<u>Notes</u>					
No investments at this time.					
Total Notes		-	-		
Total Investments		\$ 200,275	\$ 194,950		



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name

CALEXICO

Account Number

98-13-121

As of 07/15/2009, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 06/30/2009.

Earnings Ratio

.00004133177972413

Interest Rate

1.51%

Dollar Day Total

\$

3,631,453,045.74

Quarter End Principal Balance

\$

40,000,000.00

Quarterly Interest Earned

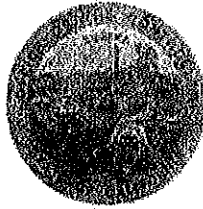
\$

150,094.42

City of Calexico
Investments
March 31, 2009

9/21/09 4:57 PM

<u>CDs</u>	<u>Purchase Date</u>	<u>Current Value</u>	<u>PURCHASE PRICE</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
CD - 180 days					
Rabobank (MIB)	5/1/2007	104,083	100,000	5/1/2009	1.90%
CD - 360 days					
Sun Community Federal Credit Union (dividend checks sent monthly)	7/20/2004	95,595	94,950	7/20/2009	2.67%
Total CDs		199,678	194,950		
<u>Notes</u>					
UBS FINANCIAL SERVICES INC.					
Federal Farm Credit Bank Bond	11/29/2007	3,040,832	3,027,370	3/27/2009	4.52%
Total Notes		3,040,832	3,027,370		
Total Investments		\$ 3,240,510	\$ 3,222,320		



JOHN CHIANG
California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name

CALEXICO

Account Number

98-13-121

As of 04/15/2009, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 03/31/2009.

Earnings Ratio

.00005227211614311

Interest Rate

1.91%

Dollar Day Total

\$

3,352,988,933.40

Quarter End Principal Balance

\$

37,096,484.33

Quarterly Interest Earned

\$

175,267.83

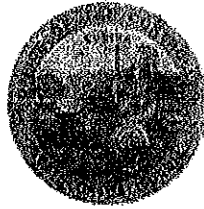
City of Calexico

Investments

December 31, 2008

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CDs	Purchase Date	Current Value	PURCHASE PRICE	Maturity Date	Interest Rate
CD - 180 days					
Rabobank (VIB)	5/1/2007	103,759	100,000	5/1/2009	1.90%
CD - 360 days					
Sun Community Federal Credit Union (dividend checks sent monthly)	7/20/2004	95,609	94,950	7/20/2009	2.67%
Total CDs		199,368	194,950		
Notes					
UBS FINANCIAL SERVICES INC.					
Federal Farm Credit Bank Bond	11/29/2007	3,041,166	3,027,370	3/27/2009	4.52%
Total Notes		3,041,166	3,027,370		
Total Investments		\$ 3,240,534	\$ 3,222,320		



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name

CALEXICO

Account Number

98-13-121

As of 01/15/2009, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 12/31/2008.

Earnings Ratio

.00006948964923038

Interest Rate

2.54%

Dollar Day Total

\$

2,769,843,439.74

Quarter End Principal Balance

\$

36,404,008.88

Quarterly Interest Earned

\$

192,475.45